

**BEFORE THE PUBLIC UTILITIES  
COMMISSION  
OF THE STATE OF SOUTH DAKOTA**

**IN THE MATTER OF THE SALE OF THE )  
STOCK OF JEFFERSON TELEPHONE CO. TO )  
JEFFERSON COMMUNICATIONS, LLC. )  
DECISION AND ORDER REGARDING  
SALE OF THE STOCK OF JEFFERSON  
TELEPHONE CO.; NOTICE OF ENTRY  
OF ORDER  
)  
TC97-159**

On September 23, 1997, the Public Utilities Commission (Commission) received a joint application from Jefferson Telephone Co. and Jefferson Communications, LLC, collectively referred to as Applicants. The Applicants jointly applied to the Commission for approval of the sale of the stock of Jefferson Telephone Co. to Jefferson Communications, LLC.

On September 25, 1997, the Commission electronically transmitted notice of the filing and the intervention deadline of October 10, 1997, to interested individuals and entities. No parties have sought intervention in this docket.

On October 10, 1997, Commission staff filed a resistance to Jefferson Communications' request that the purchase price of the exchange be afforded confidential treatment on the grounds that Jefferson Communications has not shown entitlement to such treatment as a matter of law and further upon the grounds that the public is entitled to such information concerning public utilities.

A duly noticed hearing was held in Jefferson, South Dakota, on December 4, 1997, to receive comments from the public. No members of the public attended the hearing. By order dated December 5, 1997, the Commission set a second hearing for this matter for 2:00 P.M., on December 11, 1997, in Room 423, State Capitol, Pierre, South Dakota. The issues at the hearing were: 1) Is the purchase price of the exchange confidential and therefore not subject to disclosure to the public?; 2) Whether the sale of the stock of Jefferson Telephone Co. to Jefferson Communications should be approved?

The hearing was held as scheduled. At the hearing, the Commission ruled that the purchase price was confidential (Commissioner Schoenfelder, dissenting) and unanimously approved the sale of the stock.

The Commission having reviewed the evidence of record and being fully informed in the matter makes the following Findings of Fact and Conclusions of Law:

**FINDINGS OF FACT**

I

Jefferson Telephone Co. (Jefferson Telephone) is an independent telephone company located in Jefferson, South Dakota, and serves the Jefferson exchange which has approximately 550 access lines. Exhibit 1.

## II

Jefferson Communications, LLC (Jefferson Communications) is a limited liability company with authority to do business in South Dakota. Id. It is a wholly owned subsidiary of Long Lines, Ltd., which also owns Northwest Iowa Telephone Company (NITC). Id. NITC is a local telephone company that offers service to 4,700 access lines and will provide engineering, switching, billing, maintenance, and outside plant support to Jefferson Telephone. Id. NITC is located only 22 miles from Jefferson, South Dakota. Id.

## III

Hearings were held in Jefferson, South Dakota on December 4, 1997, and in Pierre, South Dakota, on December 11, 1997. There has been no public opposition to the sale of the stock.

## CONFIDENTIALITY OF SALE PRICE

## IV

James McKenna, executive vice-president and chief telecommunications officer for Long Lines, stated that disclosure of the purchase price could materially damage Long Lines' financial position with respect to future purchases because the price would be considered a starting price for similar properties instead of a cap. Tr. at 17-18. He further testified that the purchase price has independent economic value to his company and the company has taken reasonable efforts to keep the purchase price confidential. Tr. at 19.

## V

Mr. McKenna also noted that there was no relationship between the purchase price and future rates due to the Commission's condition in other sales that the acquisition adjustment cannot be recovered through a company's local or regulated rates. Tr. at 20-21. He also stated that since the purchase price includes both the telephone company and the cellular interest, the disclosure of the purchase price will not reveal the actual purchase price of Jefferson Telephone. Tr. at 22.

## VI

The Commission finds that the purchase price shall be kept confidential. Jefferson Communications has shown that disclosure would result in material damage to its financial and competitive position.

## ADEQUACY OF LOCAL TELEPHONE SERVICE

## VII

Jefferson Communications will honor all existing contracts, commitments, leases, and other arrangements and will not eliminate any services currently provided by Jefferson Telephone. Tr. at 37-39.

## VIII

Jefferson Communications will retain some of Jefferson Telephone's employees who will continue to operate out of the Jefferson central office. Exhibit 2 at page 5. In addition, these employees will have access to back-up support from NITC, which is located 22 miles away. Id. Customers will continue to make service and billing inquiries by calling a local telephone number. Id. at pages 5-6.

## REASONABLENESS OF RATES

## IX

Jefferson Telephone's current local rates range from \$7.50 to \$17.50. Exhibit A. Jefferson Communications has no plans to increase the existing rates. Tr. at 38.

## PUBLIC SAFETY ISSUES

## X

At this time Jefferson Telephone currently provides fire bar service. Tr. at 40. Union County has not yet instituted 911 service. Id. Jefferson Communications will be able to provide 911 and E911 services when the county requires the service. TR. at 40-41.

## ABILITY OF THE BUYER TO PROVIDE SERVICE

## XI

Jefferson Communications is fit, willing, and able to purchase and thereafter operate, maintain, and upgrade to the level required by the Commission the facilities of the Jefferson exchange. Tr. at 41; Exhibit 3.

## XII

Jefferson Communications has the ability to obtain capital and the incentive to invest in the Jefferson Exchange. Exhibit 3. Jefferson Communications will invest \$450,000 to upgrade from the current DMS 10 switch and will provide for alternative toll routing for long distance service. Tr. at 39. Customers will then be able to receive CLASS services, ISDN, voice mail, and E911 when the county requests it. Tr. at 39-40.

## XIII

Jefferson Communications will support local economic development efforts and will offer distance learning and telemedicine services. Exhibit 2 at pages 4 and 6.

## PROTECTION OF THE PUBLIC INTEREST

## XIV

Jefferson Communications' purchase of the Jefferson excha

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